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Programme budget for the biennium 2010-2011

First performance report on the programme budget for the biennium 2010-2011

Report of the Secretary-General

Summary

The present report identifies adjustments in the level of appropriations required as a result of variations in costing parameters assumed at the time of the initial appropriation, unforeseen and extraordinary items and additional mandates that are best dealt with in the context of the present report under the arrangements endorsed by the General Assembly at its thirty-second session.

The revised requirements under the expenditure sections amount to $5,148.6 million, a decrease of $10.3 million vis-à-vis the appropriation level approved in General Assembly resolutions 64/244 A, 64/260 and 64/288. The revised estimate under the income sections amount to $580.6 million, an increase of $26.2 million. Consequently, net requirements amount to $4,568.0 million, a decrease of $36.5 million.

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I. Introduction

1. The primary purpose of the first performance report, which is submitted in the first year of each biennium, is to identify adjustments required because of variations in the rates of inflation and exchange and in standards assumed in the calculation of the initial appropriations. This is in conformity with the recommendation of the Advisory Committee on Administrative and Budgetary Questions,[1] which was endorsed by the General Assembly at its thirty-second session (resolution 32/211).

2. The performance report also takes into account additional mandates approved by the General Assembly and the Security Council after the approval of the budget appropriation, unforeseen and extraordinary items that could not be deferred to the following biennium and decisions of policymaking organs that are best dealt with in the context of the performance report.

3. A summary of the decreased net requirements, totalling $4,568.0 million, follows:

(Thousands of United States dollars)

			Increase/decrease	
	Appropriation[a]	*Revised estimate*	*Amount*	*Percentage*
Expenditure	5 158 961.2	5 148 633.3	(10 327.9)	(0.2)
Income	554 435.4	580 628.2	26 192.8	4.7
Net requirements	4 604 525.8	4 568 005.1	(36 520.7)	(0.8)

[a] See resolutions 64/244 A and B, 64/260 and 64/288.

4. An explanation of the variations in the costing parameters assumed in the calculation of the initial appropriations is provided in section II, parts C to F, below. In addition, the following schedules and annexes provide the costing parameters used in the initial appropriation, the proposed revisions for the biennium 2010-2011 and their effect on budget sections, duty stations and major objects of expenditure:

(a) Schedule 1 contains the rates of exchange and inflation used in the initial appropriations for the biennium 2010-2011 and the rates now proposed in the present report;

(b) Schedule 2 contains information on the post adjustment multipliers used to calculate salaries for staff in the Professional and higher categories used in the initial appropriation, the actual post adjustment multipliers for 2010 promulgated by the International Civil Service Commission (ICSC) and the revised rates now proposed for 2011;

(c) Schedule 3 contains the actual United Nations operational rates of exchange against the United States dollar in effect at the various duty stations for the first 10 months of 2010;

(d) Schedule 4 contains information on the cost-of-living adjustments for staff in the General Service and related categories assumed in calculating the initial

[1] See *Official Records of the General Assembly, Thirty-second Session, Supplement No. 8* and corrigendum (A/32/8 and Corr.1, para. 14).

appropriation for the biennium 2010-2011, the adjustments actually effected in 2010 and revised assumptions for 2011;

(e) Annex I.A contains projected changes in the budget estimates by budget section and main determining factor;

(f) Annex I.B contains estimated additional requirements by duty station and main determining factor;

(g) Annex II contains the estimated increases or decreases in requirements by budget section and main object of expenditure;

(h) Annex III contains estimated increases or decreases in requirements for jointly financed activities and inter-organizational security measures by main determining factor;

(i) Annex IV contains the status of expenditures incurred under the regular budget for the biennium 2010-2011 as at 30 September 2010;

(j) Annex V contains responses received to the questionnaire on mechanisms to protect and mitigate the effects of fluctuations in exchange rates and inflation used by United Nations system organizations

II. Expenditure sections

5. The changes required as a result of the factors mentioned above would yield a decrease in expenditure of $10,327,900 for a total of $5,148,633,300 for the biennium. Details are as follows:

(Thousands of United States dollars)

Initial appropriation	5 156 029.1	General Assembly resolution 64/244 A
Additional appropriation	2 932.1	General Assembly resolutions 64/260 and 64/288
Programme budget appropriation	5 158 961.2	
(a) Unforeseen and extraordinary expenses	6 911.2	In respect of peace and security, the International Court of Justice and inter-organizational security measures in accordance with resolution 64/246
(b) Decisions of policymaking organs:		
Integrated headquarters facility for the United Nations Assistance Mission in Iraq (UNAMI), in Baghdad	5 000.0	General Assembly resolution 64/245
(c) Variations in budgetary assumptions		
Changes in exchange rates	29 301.1	Based on United Nations operational rates of exchange

Changes in inflation assumptions	(24 305.4)	Based on consumer price indices, post adjustment multipliers promulgated by ICSC and actual versus budgeted cost-of-living adjustments
Adjustments to standard costs	(27 234.8)	Based on analysis of actual payroll data, common staff costs and staff assessment provisions
Vacancies	—	
Revised total	**5 148 633.3**	

6. In the context of the current session of the General Assembly, the Secretary-General has issued or is about to issue revised estimates and statements of programme budget implications in response to draft resolutions considered by the Main Committees. These amounts are being handled outside the first performance report but will be revised to reflect the costing parameters approved by the Assembly in the context of its consideration of the present report and, subject to the decisions of the Assembly, will affect the level of the revised appropriation. As at the time of the present report, the amounts proposed in those documents amount to approximately $35,681,610 and relate to revised estimates under various sections as well as programme budget implications under the Human Rights Council as detailed below:

(a) Revised estimates relating to the programme budget for the biennium 2010-2011 for the Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict (A/64/763) ($2,482,600);

(b) Revised security management framework and revised estimates relating to the programme budget for the biennium 2010-2011 under section 5, Peacekeeping operations, related to a strengthened and unified security management system for the United Nations (A/65/320 and Corr.1) ($3,181,100);

(c) Revised estimates resulting from resolutions and decisions adopted by the Human Rights Council at its fifteenth session (A/65/333/Add.1) ($2,469,000).

(d) Administration of justice at the United Nations (A/65/373 and Corr.1) ($7,627,500);

(e) Revised estimates under section 23, Human rights, of the programme budget for the biennium 2010-2011, resulting from the increase in the membership of the Committee on the Rights of Persons with Disabilities (A/65/400) ($319,700);

(f) Status of implementation of the information and communications technology strategy for the United Nations Secretariat (A/65/491) ($1,280,300);

(g) Revised estimates resulting from the increase in the number of members of the Subcommittee on Prevention of Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment pursuant to article 5 of the Optional Protocol (A/65/500) ($2,331,500);

(h) Revised proposal for the use of regular budget resources for the normative support functions of the United Nations Entity for Gender Equality and Empowerment of Women (UN Women) (A/65/531) ($430,100).

(i) Request for a subvention to the Special Court for Sierra Leone (A/65/570) ($15,559,810).

7. Furthermore, it is anticipated that a number of reports yet to be submitted to the General Assembly would give rise to revised estimates and/or statements of programme budget implications including, inter alia, the holding of three high-level events during the sixty-sixth session in 2011. As concerns the special political missions, these are presented and considered separately in documents A/65/328 and A/65/328/Add.1-5.

A. Unforeseen and extraordinary expenses (increase: $6,911,200)

8. Under the terms of General Assembly resolution 64/246 on unforeseen and extraordinary expenses for the biennium 2010-2011, the Secretary-General is authorized, with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions, to enter into commitments to meet unforeseen and extraordinary expenses, provided that the concurrence of the Advisory Committee shall not be necessary for such commitments not exceeding a total of $8 million in any one year as the Secretary-General certifies relate to the maintenance of peace and security; such commitments as the President of the International Court of Justice certifies relate to expenses occasioned by a number of situations in the Court as prescribed in paragraph 1 (b) of the resolution; and such commitments not exceeding a total of $1 million as the Secretary-General certifies are required for security measures.

9. Under the provisions of the resolution, commitments in the amount of $6,911,200 have been entered into as follows:

(a) Commitments certified by the Secretary-General as relating to the maintenance of peace and security ($6,501,200);

(b) Commitments certified by the President of the International Court of Justice as relating to unforeseen expenses in respect of the Court ($410,000).

10. Those expenses relate to budget sections 1, 3, 5, 7 and 23, as set out below.

1. Maintenance of peace and security ($6,501,200)

(United States dollars)

Section 1. Overall policymaking, direction and coordination	
Special Envoy to the Democratic People's Republic of Korea	65 000
Subtotal	**65 000**
Section 3. Political affairs	
Personal Representative of the Secretary-General on the Border Controversy between Guyana and Venezuela	108 400
Panel of Inquiry on the flotilla incident of 31 May 2010	1 498 400

Special Envoy of the Secretary-General for Assistance to Pakistan	106 300
Subtotal	**1 713 100**
Section 5. Peacekeeping operations	
Representative of the Secretary-General to the international discussions in Geneva and the Incident Prevention and Response Mechanism	2 079 800
Panel of Experts on the Islamic Republic of Iran	1 438 500
Subtotal	**3 518 300**
Section 23: Human rights	
Panel of Experts on Sri Lanka	1 204 800
Subtotal	**1 204 800**
Total, maintenance of peace and security	**6 501 200**

2. Unforeseen expenses relating to the International Court of Justice ($410,000)

Section 7. International Court of Justice ($410,000)

11. Pursuant to the provisions of paragraph 1 (b) (iv) of General Assembly resolution 64/246 on unforeseen and extraordinary expenses for the biennium 2010-2011 and in accordance with the Statute of the International Court of Justice, commitments were entered into for additional requirements that arose in 2010 with respect to payment of pensions, travel and removal expenses of retiring judges and installation grants of new judges (Statute of the International Court of Justice, Article 32, para. 7) totalling $410,000.

(United States dollars)

Payment of pensions, travel, removal expenses of retiring judges and installation grants of new judges in 2010-2011	410 000
Total	**410 000**

B. Decisions of policymaking organs

1. Integrated headquarters facility for the United Nations Assistance Mission in Iraq, in Baghdad

Section 33. Construction, alteration, improvement and major maintenance ($5,000,000)

12. It will be recalled that by its resolution 63/263, the General Assembly approved a commitment authority in the amount of $5 million for UNAMI in 2009 to undertake design work for the construction of an integrated compound in Baghdad. The Secretary-General, in his report on estimates in respect of special political missions, good offices and other political initiatives authorized by the General Assembly and/or the Security Council (A/64/349/Add.5), advised the General Assembly that the commitment authority would not be utilized in 2009 owing to delays in the project and requested that a similar commitment authority be provided for the biennium 2010-2011. Subsequently, the General Assembly in

section VI of its resolution 64/245 approved the Advisory Committee's recommendation contained in paragraph 180 of its report (A/64/7/Add. 13), wherein the Committee recommended that the General Assembly approve a commitment authority up to $5 million for UNAMI, under section 33, Construction, alteration, improvement and major maintenance, for the biennium 2010-2011.

13. As reflected in section V of the report of the Secretary-General (A/65/328/Add.5), during 2010, a dedicated Project Manager at the P-5 level was recruited under the Office of the Chief of Mission Support and was tasked with the management of the integrated headquarters compound project. On 1 March 2010, an architectural services contract was awarded for the project's schematic design, design development, and construction documentation phases. To complement the work of the High-level Advisory Group, whose representation includes the Under-Secretary-General for Political Affairs, acting as Chair, the Under-Secretaries-General for Safety and Security and Field Support, the Special Representative of the Secretary-General for Iraq, the Assistant Secretary-General, the Controller and the Assistant Secretary-General for Central Support Services of the Department of Management and the Assistant Secretary-General for Legal Affairs, and in response to concerns by the General Assembly on issues of proper management oversight, a working-level group which mirrors the High-level Advisory Group was also established. Several working group meetings have been held to discuss the detailed design and development of the project, timeline, legal issues on ownership of the property in Iraq and procurement-related issues. The project's design phase is currently behind schedule, owing to contractor-related performance issues, which is directly impacting the overall project's traditional design-bid-build delivery methodology. As at 19 July 2010, the architectural services contract has been in a "condition of default". The Procurement Division is currently in negotiations with the architectural firm and is pursuing remedies that would allow the design phase activities to continue.

14. In addition to the construction of the United Nations integrated compound, the Mission is exploring other possible options. A clear course of action for the compound is currently under review and updated detailed comprehensive financial requirements for the construction of the United Nations integrated compound in Baghdad or an alternative option will be submitted to the General Assembly for consideration at the first part of its resumed sixty-fifth session.

15. Accordingly, the present report seeks approval to appropriate the amount of $5 million already approved as a commitment authority.

2. Enterprise Resource Planning Project

Section 28A. Office of the Under-Secretary-General for Management ($12,416,300)

16. It is recalled that in section II, paragraph 4, of its resolution 60/283, the General Assembly decided that the Integrated Management Information System (IMIS) would be replaced with a next-generation enterprise resource planning system or other comparable system, as the IMIS system was fast approaching the end of its useful life, and the costs of maintenance and ongoing support to IMIS no longer matched the benefits that staff and managers expected from the system.

17. Having considered the first progress report on the implementation of the enterprise resource planning system (A/64/380) and the related report of the

Advisory Committee on Administrative and Budgetary Questions (A/64/7/Add.9), the General Assembly, by its resolution 64/243, inter alia, approved an amount of $24,192,200 for the enterprise resource planning system, to be funded from the regular budget for the biennium 2010–2011, including an amount of $11,775,900 included in the proposed programme budget for the biennium 2010-2011 under section 28A, and authorized the Secretary-General to enter into commitments in the remaining amount of $12,416,300.

18. In line with General Assembly resolution 64/243, the report of the Secretary-General on the second progress report on the implementation of the enterprise resource planning project (A/65/389) is currently before the General Assembly at its sixty-fifth session. At the time of preparation of that report, it was anticipated that it would be necessary to seek an appropriation of the amount of $12,416,300, initially approved in resolution 64/243 as a commitment authority. However, based on more up-to-date information on expenditure patterns available, it is proposed to continue to monitor the progress of the project and to report the requirements arising from the commitment authority in the context of the second performance report for the biennium 2010-2011.

C. Changes in exchange rates (increase: $29,301,100)

19. The basis for recosting can be either the average operational rates of exchange experienced thus far in the biennium (the averaging method) or the operational rates in effect at the time of recosting (the latest rate). It will be recalled that, in its report on the accounts of the United Nations for the biennium ended 31 December 1995, the Board of Auditors recommended that budgetary assumptions relating to operational exchange rates be based on an averaging method instead of the latest available exchange rates.[2] However, the Secretary-General had indicated that it would not be advisable to predetermine whether the averaging method or the latest month should be used for budget forecasting and recosting and that such a decision should be taken at the time of each recosting. This was reported to the General Assembly and agreed to by the Advisory Committee on Administrative and Budgetary Questions,[3] which indicated that the Secretary-General should use such rates as would allow for the lowest estimates. In the present performance report, the exchange rate realized from January to October 2010 has been applied to 2010 and the October rate has been applied to November and December 2010. For 2011, the October rate (the latest rate) has been applied for Addis Ababa, Nairobi and Mexico City and the average operational rates of exchange experienced thus far in the biennium (the averaging method) have been applied for the rest of the duty stations so as to allow for the lowest estimate for each duty station in respect of requirements for the related currency. Adjustments resulting from actual experience in 2011 would be implemented in the second performance report.

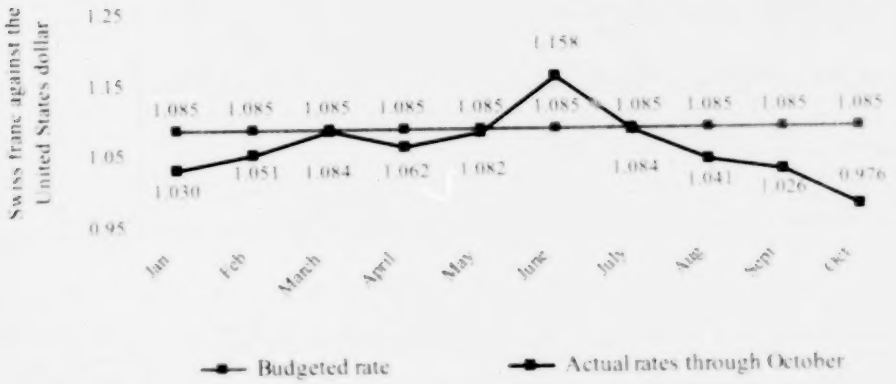
20. The net increase of $29.3 million reflects the general weakening of the United States dollar in a number of operational rates experienced during the year to date as compared with those foreseen in the initial appropriation. The average rate experienced for 2010 based on January to October actual rates in respect of the

[2] Ibid., *Fifty-first Session, Supplement No. 5* (A/51/5), vol. I and corrigendum (A/51/5/Corr.1), chap. II, para. 110.

[3] Ibid., *Supplement No. 7* (A/51/7/Add.1-9), document A/51/7/Add.6, para. 5.

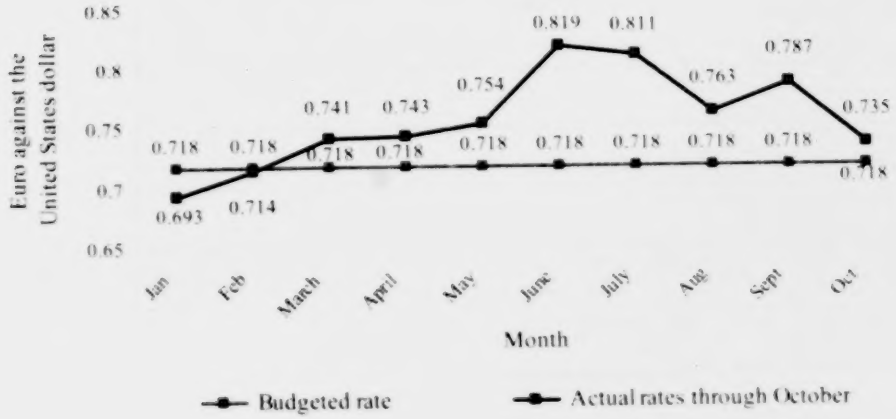
Swiss franc was SWF 1.046 to the dollar, compared with an assumption of SWF 1.085 used in the initial appropriation. For 2011, the average rate of SWF 1.046 has been used in the performance report. This change has resulted in an increase in requirements of $36.7 million. Figure I reflects the experience of the Swiss franc against the dollar from January to October 2010.

Figure I
Performance of the Swiss franc against the United States dollar, 2010



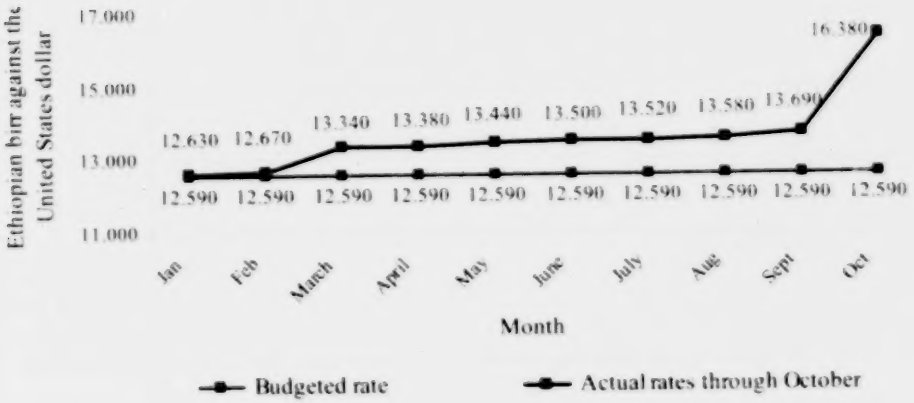
21. With respect to the euro, the realized 2010 average is €0.753 to the dollar, compared with an assumption of €0.718 used in the initial appropriation. For 2011, the average rate €0.753 has been used in the performance report, which has resulted in a reduction in requirements of $9.9 million. Figure II reflects the experience of the euro during the period from January to October 2010.

Figure II
Performance of the euro against the United States dollar, 2010



22. With respect to the Ethiopian birr, the realized 2010 average is 14.074 to the dollar, compared with an assumption of 12.590 used in the initial appropriation. For 2011, the October rate of 16.380 has been used in the performance report, which has resulted in a reduction in requirements of $18.4 million. Figure III reflects the experience of the Ethiopian birr during the period from January to October 2010.

Figure III
Performance of the Ethiopian birr against the United States dollar, 2010

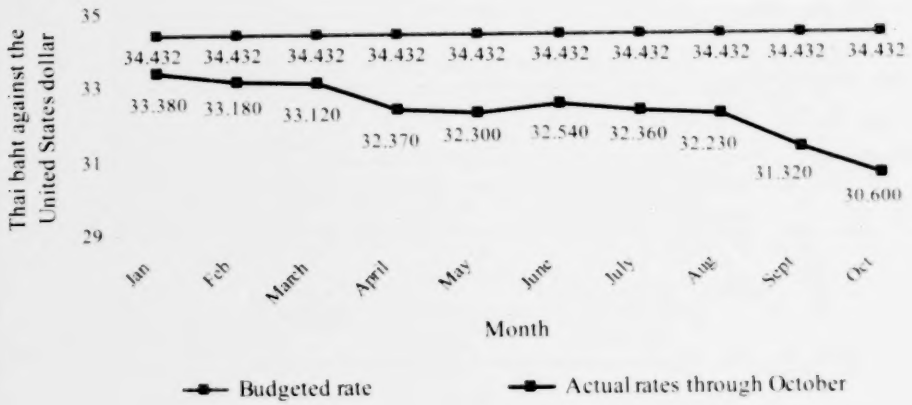


23. With respect to the Chilean peso, the realized 2010 average is 509.417 to the dollar, compared with an assumption of 559.750 used in the initial appropriation. For 2011, the average rate of 509.417 has been used in the performance report, which has resulted in an increase in requirements of $9.2 million. Figure IV reflects the experience of the Chilean peso during the period from January to October 2010.

Figure IV
Performance of the Chilean peso against the United States dollar, 2010

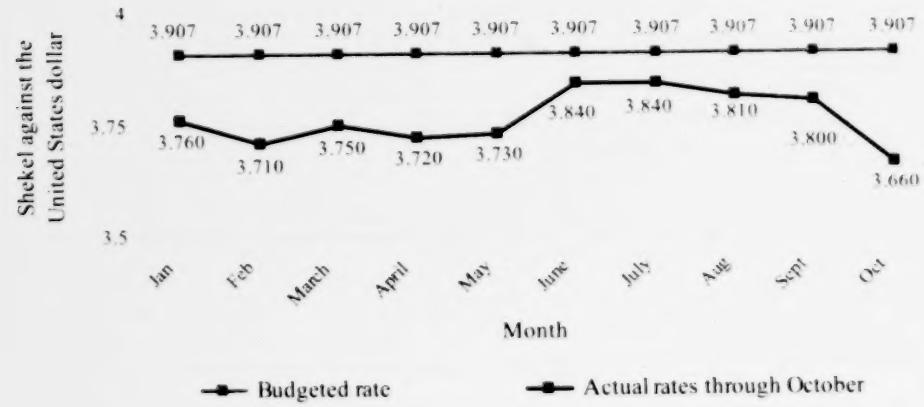
24. With respect to the Thai baht, the realized 2010 average is 32.050 to the dollar, compared with an assumption of 34.432 used in the initial appropriation. For 2011, the average rate of 32.050 has been used in the performance report, which has resulted in an increase in requirements of $8.7 million. Figure V reflects the experience of the Thai baht during the period from January to October 2010.

Figure V
Performance of the Thai baht against the United States dollar, 2010



25. With respect to the shekel, the realized 2010 average is 3.745 to the dollar, compared with an assumption of 3.907 used in the initial appropriation. For 2011, the average rate of 3.745 has been used in the performance report, which has resulted in an increase in requirements of $5.2 million. Figure VI reflects the experience of the shekel during the period from January to October 2010.

Figure VI
Performance of the shekel against the United States dollar, 2010



26. In addition to the adjustments required for the Swiss franc, the euro, the Ethiopian birr, the Chilean peso, the Thai baht and the shekel, a net reduction of approximately $3.5 million applies to the Kenya shilling. Details regarding operational rates at all duty stations are included in schedules 1 and 3. The schedules provide the actual operational rates through October 2010, the rate used in the initial appropriation and the rate used in the present report. Adjustments resulting from actual experience in 2011 will be reflected in the second performance report.

D. Inflation (decrease: $24,305,400)

27. Schedules 1, 2 and 4 reflect revised inflation rates that affect all objects of expenditure. These are based on post adjustment multipliers that have been promulgated by ICSC for the Professional category and above, actual versus budgeted cost-of-living adjustments based on prevailing market conditions for the General Service and related categories, and the latest available information on consumer price indices as derived from international affairs publications, including for non-post objects of expenditure.

28. Revised post adjustment multipliers used in the present report take into account updated cost-of-living information, including place-to-place surveys carried out or implemented subsequent to the approval of the programme budget for the biennium 2010-2011 in December 2009. Multiplier changes include downward adjustments of $27.9 million for Geneva, $3.7 million for Santiago, $2.9 million for Bangkok, $2.1 million for Vienna, $1.4 million for Gaza, $1.2 million for New York and $1.3 million for other duty stations. These amounts are mainly offset by upward revisions of $9.6 million for Addis Ababa and $1.9 million for Nairobi. Consequently, the total net decreased requirements arising from adjustments for inflation related to Professional posts across all duty stations amount to $28,774,000. Post adjustment multipliers applicable to the Professional and higher categories for all duty stations are contained in schedule 2.

29. With regard to the General Service and related categories, the revised requirements reflect actual cost-of-living adjustments experienced in 2010 and projections for 2011 based on the latest available information. The total required adjustment of $945,300 largely reflects adjustments of $1.8 million for Beirut, $1.5 million for Addis Ababa, $1.0 million for Santiago, $0.9 million for Bangkok and $0.8 million for Geneva. These amounts are offset by downward revisions of $4.7 million for New York and net downward revisions of $0.4 million for other duty stations. The cost-of-living adjustments for staff in the General Service and related categories for all duty stations are contained in schedule 4.

30. With regard to non-post objects of expenditure, the revised rates largely reflect downward adjustments of $3.0 million for Addis Ababa, $0.8 million for Nairobi and $0.7 million for The Hague. These amounts are offset by the net upward revisions of $1.8 million for other duty stations. The total net decrease in inflation requirements of $2,702,000 relates to all non-post objects of expenditure across all duty stations.

31. The total net decrease arising as a result of inflationary adjustments across all objects of expenditure amounts to $24,305,400, including staff assessment

requirements of $6,225,300, which would be offset by an equivalent amount under income section 1, Income from staff assessment.

E. Adjustments to standard costs (decrease: $27,234,800)

32. Adjustments to standard costs reflect the net effect of changes in standard salary costs, common staff costs and staff assessment rates. Revisions to standard salary costs for 2010 are based on the actual payroll averages experienced thus far in the biennium, by category and level, at each duty station. For the present report, January to September of 2010 monthly payroll averages from 13 duty stations, including 23 offices, have been analysed at each category and level compared with those used in the initial appropriation. Projections for 2011 are based on the trends experienced in 2010. A net decrease of $5.6 million reflects average net base salary costs that are lower than had been projected in the initial appropriation.

33. Common staff costs are budgeted as a percentage of net salaries for each duty station. Expenditures under common staff costs relate to allowances and benefits, appointments, transfers and separation of staff. Adjustments to common staff costs are based on the analysis of actual common staff costs experience for all duty stations during the biennium 2008-2009 as well as the experience from January to September 2010 compared with those assumed in the initial appropriation. Recommendations of ICSC with regard to hazard pay and education grant have been accommodated within these overall adjustments, consistent with established practice in this regard. A net decrease of $21.6 million relating to adjustments to the rates of common staff costs with respect to all duty stations is anticipated.

34. The adjustments to standard costs indicated above include staff assessment changes resulting in an increase in expenditures of $11.6 million, offset by an equivalent amount under income section 1.

F. Vacancies (no changes)

35. In its resolution 64/243, the General Assembly decided that a vacancy rate of 9.6 per cent for Professional and 4.0 per cent for General Service posts should be used as a basis for the calculation of the budget for the biennium 2010-2011. The application of these rates to continuing posts, together with the rates applied to new posts (50 per cent for Professional posts and 35 per cent for General Service posts), results in effective budgeted rates of 10.3 per cent and 4.9 per cent for those categories, respectively. Although the overall realized average vacancy rates can be known only at the end of the biennium, the experience to date reflects realized vacancy rates of 8.3 per cent for Professional posts and 4.2 per cent for General Service posts.

36. Vacancy rates realized to date for both Professionals and General Service are below those budgeted and a month-by-month analysis for Professional vacancy rates reflects a steady downward trend, decreasing from 8.9 per cent in January to 8.0 in September. Given the downward trend, and taking into account the experience of previous bienniums, a further reduction in realized vacancy rates is to be expected over the course of the second year of the biennium. This could result in expenditure requirements for posts exceeding budgeted provisions. However, at this time, no adjustments for vacancy rates for Professional and General Service posts have been

proposed in the present report. The situation will continue to be monitored and will be reported in the context of the second performance report.

37. With regard to field security staff, in the same resolution, the General Assembly decided that a vacancy rate of 14.0 per cent for Professional posts and 14.7 per cent for General Service posts should be used as a basis for the calculation of the budget for the biennium 2010-2011. Although the overall realized average vacancy rates can be known only at the end of the biennium, the experience to date reflects realized vacancy rates of 14 per cent for Professional posts and 11 per cent for General Service posts. Given the downward trend in General Service posts, a further reduction in realized vacancy rates is to be expected over the course of the second year of the biennium. At this time, no adjustments for vacancy rates for Professional and General Service posts have been proposed in the present report. The situation will continue to be monitored and will be reported in the context of the second performance report.

G. Other issues

38. In this section, specific issues raised in General Assembly resolutions and matters raised in accordance with established practices and procedures are addressed.

1. Limited discretion for budgetary implementation authorized in General Assembly resolutions 60/283, 64/243 and 64/260

Section 1. Overall policymaking, direction and coordination (increase $2,038,200)
Section 3. Political affairs (decrease $1,019,100)
Section 5. Peacekeeping operations (decrease $1,345,500)
Section 8. Legal affairs (increase $577,200)
Section 17. Economic and social development in Africa (decrease $3,585,100)
Section 21. Economic and social development in Western Asia (decrease $968,900)
Section 28C. Office of Human Resources Management (increase $518,900)
Section 28D. Office of Central Support Services (increase $249,400)
Section 33. Construction, alteration, improvement and major maintenance (increase $5,522,900)
Section 34. Safety and security (decrease $1,988,000)

39. Under the provisions of General Assembly resolution 60/283, as extended in resolutions 64/243 and 64/260, the Secretary-General is authorized to enter into commitments of up to $20 million in the biennium 2010-2011 for positions and non-post requirements for the purpose of meeting the evolving needs of the Organization in attaining its mandated programmes and activities. Amounts in excess of $6 million per biennium require the prior approval of the Advisory Committee on Administrative and Budgetary Questions pursuant to the provisions of section III, paragraph 8 (g), of resolution 60/283.

40. During the biennium 2010-2011, such authority has been utilized to address: (a) the extension of appointments of the ad litem judges for the United Nations Dispute Tribunal ($2,038,200); (b) strengthening the Administrative Law Section of the Office of Human Resources Management ($518,900); (c) funding related to the strengthening of the Office of Legal Affairs arising from the increased workload related to the new system of administration of justice ($826,600); and (d) for the

reconstruction and renovation of the Economic Commission for Latin America and the Caribbean (ECLAC) in Santiago, following the February 2010 earthquake ($5,522,900). Those requirements have been met through the utilization of potential underexpenditures identified under section 3, Political affairs, section 5, Peacekeeping operations, section 17, Economic and social development in Africa, section 21, Economic and social development in Western Asia, and section 34, Safety and security. The remaining balance that may be exercised by the Secretary-General under this authority for the biennium 2010-2011 amounts to $11.1 million.

(a) Ad litem judges for the United Nations Dispute Tribunal

41. The General Assembly, in its resolution 63/253, acknowledged the need to clear the existing backlog of cases from the old system of administration of justice and accordingly decided to appoint three ad litem judges to the United Nations Dispute Tribunal for a period of one year effective 1 July 2009 for this purpose.

42. In her letter dated 28 December 2009 addressed to the Secretary-General, the Chairperson of the Internal Justice Council expressed her concern that the Dispute Tribunal was being overwhelmed by the number of backlog cases, which would severely impact the functioning of the new administration of justice system in its infancy. That problem has been compounded by the transfer of 140 cases from the United Nations Administrative Tribunal, which was abolished as at 1 January 2010.

43. In a letter dated 8 February 2010 from the Secretary-General addressed to the President of the General Assembly (A/64/664), the Secretary-General requested the President of the General Assembly to take the necessary action to extend the period of appointment of the ad litem judges, their support staff and other related requirements for a further period of one year. On 29 March 2010, by its decision 64/553, the General Assembly extended the tenure of the three ad litem judges for one additional year, beginning on 1 July 2010.

44. Accordingly, resource requirements totalling $2,038,200 have been utilized to fund the extension of the three ad litem judges and their support staff to continue to handle the backlog of cases from the old system. Those requirements have been met through the utilization of potential underexpenditure identified under section 3, Political affairs, and section 34, Safety and security.

(b) Strengthening of the Administrative Law Section, Office of Human Resources Management

45. The Administrative Law Section, located in the Human Resources Policy Service, Office of Human Resources Management, is responsible for representing the Secretary-General in his role as respondent before the Dispute Tribunal in respect of cases filed by staff serving across the global Secretariat (with the exception of cases brought by staff of the United Nations Offices at Geneva, Nairobi and Vienna, the United Nations Environment Programme and the United Nations Human Settlements Programme (UN-Habitat)), as well as cases from staff of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia. The Administrative Law Section also handles disciplinary matters referred to the Office of Human Resources Management relating to all Secretariat staff and staff of the two international tribunals and provides advice to managers on the administration of justice system in general, and on aspects of individual appeals and disciplinary cases.

46. During the year prior to the introduction of the new system of administration of justice, the Section was responsible for handling approximately 150 appeal cases. As at 30 June 2010, the Section was responsible for 232 appeals, including cases transferred from the Joint Appeals Boards, the Joint Disciplinary Committees and the United Nations Administrative Tribunal prior to its abolition on 31 December 2009. Accordingly, resource requirements totalling $518,900 was used to fund three temporary positions (1 P-4 and 2 P-3) in the Administrative Law Section in the Office of Human Resources Management, to address the backlog of cases referred from the United Nations Administrative Tribunal. Those requirements have been met through the utilization of potential underexpenditure identified under section 5, Peacekeeping operations.

(c) Strengthening of the Office of Legal Affairs relating to the new system of administration of justice

47. With regard to the strengthening of the Office of Legal Affairs relating to the new system of administration of justice, it will be recalled that when the Secretary-General submitted his report on the resource requirements for the new system of administration of justice before it became operational, it was assumed that "the efforts for early resolution of disputes through informal means may result in fewer cases being brought to the Tribunals" (see A/62/7/Add.7, para. 50). However, with the experience to date under the new system of administration of justice, the earlier assumptions have proven incorrect.

48. Not only has there been an increase in the number of advice requests of all types and appeals of judgements and orders of the Dispute Tribunal and the number of appeals being filed by staff members, the deadline for filing submission is also much shorter. During the first six months of the new system (i.e., from 1 July 2009), there were only 5 appeals by staff members. In 2010, 9 appeals were filed in the month of February alone, followed by 11 appeals in March. This trend is expected to continue, particularly as the Dispute Tribunal begins to review more disciplinary cases.

49. Accordingly, in order to handle the increased workload at a sustainable pace, additional resource requirements in the amount of $826,600 were utilized under the Secretary-General's limited budgetary discretion to provide for temporary resources (six Professionals and two General Service (Other level) posts) for a limited duration, until the General Assembly considers the report of the Secretary-General on the administration of justice at the United Nations (A/65/373) at its current session. Those requirements have been met through the utilization of potential underexpenditure identified under section 5, Peacekeeping operations.

(d) Reconstruction and renovation of the Economic Commission for Latin America and the Caribbean, Santiago, following the February 2010 earthquake

50. The Secretary-General identified budgetary requirements amounting to $7,807,000 to meet expenses related to the relocation from damaged buildings and to carry out the reconstruction and renovation work of the ECLAC compound following the earthquake of 27 February 2010 in Chile. Of this total, $2,284,100 was absorbed from within section 20, Economic and social development in Latin America and the Caribbean, and section 33, Construction, alteration, improvement and major maintenance; $2,616,300 was authorized by the Secretary-General under

the provisions of General Assembly resolution 60/283 and the concurrence of the Advisory Committee on Administrative and Budgetary Questions was sought to fund the remaining requirements of $2,906,600 in accordance with paragraph 8 (g) of section III of resolution 60/283.

51. On 4 June 2010, the Advisory Committee concurred with the Secretary-General's request and funds were utilized to cover costs related to: (a) debris removal and minor repair works to existing buildings to assure the safety of staff, visitors and contractors; (b) evaluation and repair, which included the relocation of staff to temporary open office spaces that weren't damaged and installation of a temporary office facility to accommodate staff; and (c) reconstruction, including major structural and interior repairs to main buildings, demolition and reconstruction of conference rooms, bathrooms and ancillary space, construction of premises for a permanent food services area, replacement of one elevator, relocation of Local Area Network rooms, and major repairs to the access control systems and safety systems, including consultancy services. The reconstruction at ECLAC is scheduled to be substantially completed by mid-April 2011. At the same time, the damage claim is under review by the insurers, which also requires further review of the construction scope to rule out items that will not be covered by the policy. Those requirements have been met through the utilization of potential underexpenditure identified under section 17, Economic and social development in Africa, section 21, Economic and social development in Western Asia, and section 34, Safety and security. It is expected that actual requirements will be adjusted in due course when the final settlement with the insurers is completed.

52. The related redeployment of amounts utilized to address the above-mentioned organizational needs under the limited budgetary discretion provisions is detailed by section in table 1 below.

Table 1
Distribution by budget section of resources committed under the limited budgetary discretion of the Secretary-General

Budget section	*Strengthening of the Office of Legal Affairs*	*Dispute Tribunal*	*Strengthening of the Administrative Law Section*	*ECLAC reconstruction*	*Total limited discretion*
1. Overall policymaking, direction and coordination	—	2 038.2	—	—	2 038.2
3. Political affairs	—	(1 019.1)	—	—	(1 019.1)
5. Peacekeeping operations	(826.6)	—	(518.9)	—	(1 345.5)
8. Legal affairs	577.2	—	—	—	577.2
17. Economic and social development in Africa	—	—	—	(3 585.1)	(3 585.1)
21. Economic and social development in Western Asia	—	—	—	(968.9)	(968.9)
28C. Office of Human Resources Management	—	—	518.9	—	518.9
28D. Office of Central Support Services	249.4	—	—	—	249.4

Budget section	*Strengthening of the Office of Legal Affairs*	*Dispute Tribunal*	*Strengthening of the Administrative Law Section*	*ECLAC reconstruction*	*Total limited discretion*
33. Construction, alteration, improvement and major maintenance	—	—	—	5 522.9	5 522.9
34. Safety and security	—	(1 019.1)	—	(968.9)	(1 988.0)
Total	—	—	—	—	—

2. Options for protecting the United Nations against fluctuations in exchange rates and inflation

53. By paragraph 52 of its resolution 64/243 on questions relating to the proposed programme budget for the biennium 2010-2011, the General Assembly requested the Secretary-General, in the context of the first performance report, to report on options for protecting the United Nations against fluctuations in exchange rates and inflation, drawing on the experience of other organizations of the United Nations system, as set out in section V of the second performance report of the Secretary-General on the programme budget for the biennium 2008-2009 (A/64/545).

54. In efforts to comply with this request, input was sought from 15 organizations of the Finance and Budget Network, including the Food and Agriculture Organization of the United Nations (FAO), the International Atomic Energy Agency (IAEA), the International Civil Aviation Organization (ICAO), the International Fund for Agricultural Development (IFAD), the International Labour Organization (ILO), the International Maritime Organization (IMO), the International Telecommunication Union (ITU), the Joint United Nations Programme on HIV/AIDS (UNAIDS), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF), the United Nations Industrial Development Organization (UNIDO), the World Tourism Organization, the World Food Programme (WFP) and the World Intellectual Property Organization (WIPO). A questionnaire addressed to the heads of budget and finance of these organizations was sent in early July 2010 requesting information on the various mechanisms and tools used by these organizations to protect and mitigate the effects of fluctuations in exchange rates and inflation. Information was also requested on experience and lessons learned.

55. Of the 15 organizations that were contacted, input was received in respect of eight of them: FAO, IAEA, ICAO, ITU, UNESCO, UNFPA, the World Tourism Organization and WIPO. The compilation of the responses provided by these organizations is set out in annex V. Follow-up with a view to inviting input from all 15 organizations as late as September 2010 was sent but no further input was received.

56. Based on information received as well as the experience of the General Assembly vis-à-vis additional expenditures arising from inflation and currency fluctuations, it is emphasized that the issue of protecting the purchasing power of the programme budget from adverse exchange rate fluctuations has been one of long standing in the United Nations system and has been under extensive discussion over the years.

57. With regard to the United Nations, over the last few decades dating as far back as the 1970s and most recently at its resumed sixtieth session in May 2006, the General Assembly has sought a comprehensive solution to this problem. In an addendum to his report on investing in the United Nations for a stronger Organization worldwide (A/60/846/Add.3), the Secretary-General provided an in-depth chronology of events on proposals submitted to the Assembly since the 1970s on the issue of a comprehensive solution to the subject of additional expenditures arising from inflation and currency.

58. Over the years, various methodologies or the combination thereof have been explored and adopted by United Nations organizations seeking to protect or stabilize against fluctuations of inflation and exchange rates. These methodologies include: (a) providing contingencies within the budget to meet potential shortfalls in funds arising from inflation and exchange rate fluctuations; (b) split currency system of assessment; (c) forward currency cover through purchase of forward currency contracts; (d) special reserve accounts to finance exchange rate fluctuations; and (e) establishing the budgets in the main currency in which the expenditures are incurred.

Providing contingencies within the budget to meet potential shortfalls in funds arising from inflation and exchange rate fluctuations

59. This methodology, as adopted by UNESCO, requires a separate provision to be included as part of the budget estimates to cover inflationary and statutory increases that are expected to occur. Inflationary requirements that exceed estimated amounts would have to be absorbed within the approved budget. In the case of UNFPA, an expected increase in costs (including inflation) is embedded in the budget estimates. Once the budget is approved, it is managed within the appropriation. There is no recosting or other inflation absorbing mechanism foreseen as a result of higher than expected inflationary increase. However, in respect of exchange rate movements, UNFPA outsources to UNDP treasury the management of its foreign exchange operation at a cost. It should be noted that ICAO also used this methodology until 1992.[4]

Split currency assessment method

60. The split assessment system (or collecting contributions in more than one currency) is based on division of the major currencies of the budget once the programme budget is approved. Generally each Member State will be required to make payments in each respective currency. For example, ICAO operates in two major currencies, i.e., the United States dollar and the Canadian dollar. The split assessment system for ICAO is a dual currency methodology of assessment whereby the assessed contribution to be paid to the Organization are stated in two amounts — one each of the two currencies of the regular budget expenditure. Therefore, commencing in 2010 each contracting State is requested to pay specific amounts in both currencies.

61. Under the ICAO split assessment practice, the budget is developed in one currency but the approved amount is split between the United States dollars and the

[4] ICAO used the "contingency within budget" methodology until 1992 before adopting the forward currency purchase contracts mechanism in 1993. In 2010, ICAO began using the split assessment mechanism.

Canadian dollars. Two separate assessment amounts are calculated for each currency by applying the assessment rate of each individual country to the total approved appropriations amounts of each year in each one of the two currencies.[4] It should be noted that under a split assessment, the risk of exchange losses and the benefit of gains arising from the fluctuation of exchange rates is still deflected to Member States protecting the purchasing power of the ICAO budget.[5]

62. The advantages claimed of this system include: (a) minimizing the exchange impact from one budget cycle to another, with the exception of the impact of movements in the post adjustment; (b) allowing the organization to control expenditures by currency groups; and (c) minimizing the costs of hedging and other foreign exchange transactions.

63. The disadvantages of this methodology include (a) assessed contributions are made in multiple currencies; (b) all payments should be made in the same fiscal year as the subsequent late payments can result in a gain or loss in the accounts owing to exchange rate movements; (c) the budgetary impact of post adjustment for Professional staff is not eliminated; (d) a significant number of foreign exchange gain or loss entries will have to be absorbed in the accounts; and (e) accounting for multiple assessment systems must be maintained.

64. Additionally, it would be recalled that during the consideration of the proposed programme budget outline for the biennium 1990-1991, the Advisory Committee on Administrative and Budgetary Questions noted the difficulties associated with a split assessment system, including in the absence of large reserves, are problems associated with cash flow (e.g., not receiving currencies in the right mix for current cash needs) (see A/43/929, para. 23).

Forward currency cover through purchase of forward currency contracts

65. The International Swaps and Derivatives Association defines forward contracts as a customized, privately negotiated agreement between two parties to exchange an asset or cash flows at a specified future date at a price agreed on the trade date. Entering a forward contract typically does not require the payment of a fee. Forward contract is a contractual obligation to deliver a currency sometime in the future. Forward prices are usually at a premium (higher) or at a discount (lower) from the current exchange rate based upon the differential in interest rates between the two currency countries. A currency forward contract locks in the exchange rate for a cash flow at a specific date in the future. The contract is an obligation with no flexibility.

66. Currency hedges can include currency forwards, currency options, or a combination of options. From the input received from United Nations system organizations, it appears that the currency hedge employed by these organizations consists of the currency forward contract. To date, ICAO and UNFPA have entered into some type of currency forward contract.[4] This concept would require the organization to enter into forward contracts with local banks for the purchase of specified amounts of various currencies in exchange for United States dollars at a fixed exchange rate. Under currency forward contracts, the approved programme budget will need to be adjusted to reflect budget expenditures at the average rate of

[5] Report on protecting the purchasing power of the ICAO budget, as presented by the Secretary-General of ICAO to the Administrative Commission at its thirty-sixth session (A36-DP-AD/2).

the forward exchange contracts. The organization is protected against any unfavourable or favourable exchange rate by the forward currency contracts.

67. As described by ICAO in its working paper on proposals for dealing with foreign exchange fluctuations in the ICAO budget (C-WP/12663), the process works as follows:

(a) The budget is established and approved in United States dollars;

(b) Before the final draft programme budget is considered by the Assembly, the Secretariat, with the approval of the Council, enters into forward contracts with local banks for the purchase of specified amounts of Canadian dollars in exchange for United States dollars at the end of each month for the 36 months in the triennium. The specified amounts of Canadian dollars represent the amount of local currency disbursements as well as United States dollar expenditures that are influenced by the Canadian dollar;

(c) As far as possible, the final draft programme budget submitted for the Assembly's approval is adjusted to reflect budget expenditures at the average rate of the forward exchange contracts. The forward currency purchases protect the regular programme budget against any fluctuations in exchange rates between the United States dollar and the Canadian dollar. For instance, the budget for 2005-2007 was based on a United States dollar to Canadian dollar exchange rate of 1.32, whereas the current market exchange rate prevailing at that time was approximately 1.16. The Organization is protected against this extremely unfavourable exchange rate by the forward currency contracts;

(d) The regular programme expenditure accounts are maintained in United States dollars and all payments in Canadian dollars are adjusted at the average exchange rates obtained on the forward exchange contracts. In addition, the Council and the Assembly are also provided financial reports showing appropriations and expenditures at the budget rate.

68. The implementation of this approach resulted in costs to ICAO of approximately $1.5 million per year (approximately 2 per cent of the annual budget) for hedging and foreign exchange costs. Additionally, while the use of this approach allows ICAO to use a "planned" exchange rate in the accounts and financial reporting, it distorts any reporting based on the actual costs of transactions.

69. In the case of UNFPA, UNDP treasury administers the hedging programme in exchange for a fee. UNFPA does not have a reserve for exchange losses and gains, any income resulting from the hedging is treated as regular income and the cost of the hedge is paid out from regular resources. Such costs to the organization could be used to partially offset actual foreign exchange losses.

70. While currency hedging can mitigate the impact of currency fluctuations to the Member States with respect to the operational rates of exchange, it will not mitigate annual budget recosting as the organization would still need to account for variations in inflation rates, standard salary costs, common staff costs, and vacancy rates differences. Additionally, there are transactional costs associated with currency hedges. For instance, in the case of forward contracts, the party is contractually obliged to convert the currencies at the forward rate even if the currency has appreciated or depreciated. With regard to options, it is emphasized that option

premiums are a function of time and volatility and are paid upfront. Premiums can be offset by simultaneously selling and buying currency options.

Special reserve accounts to finance exchange rate fluctuations

71. This method calls for the establishment of a long-term currency reserve fund to minimize, during any given biennium and to the extent possible, changes in the level of the programme budget resulting from variations in the forecast included in the programme budget in respect of currency fluctuation, inflation in non-staff costs and statutory cost increases for staff. With this methodology, it is possible to utilize gains or savings made when currencies move in a favourable direction to offset losses incurred when the reverse occurs. Once established, the level of funds held in the reserve could be reviewed to determine how much should be held and how much could be transferred back to support the programme budget. As reported in the second performance report for the biennium 2008-2009 (A/64/545), in the case of FAO, prior to the introduction of the split assessment methodology in 2004, all gains or losses on exchange in addition to the currency variance on staff standard costs were debited or credited to the special reserve account.

72. It is recalled that over the years the issue of the establishment of a fund to accommodate unanticipated expenditures arising from the exchange rate fluctuations and inflations has been the subject of extensive discussions by the Secretary-General, the Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors and the General Assembly. Discussions on this topic date as far back as the resumed forty-second session in 1987. At that session, the Secretary-General, in his report on review of the efficiency of the administrative and financial functioning of the United Nations entitled "Questions relating to the programme budget: inflation and currency fluctuations, and the level of the contingency fund", noted that while the continuation of the current methods of dealing with such adjustments appeared to be the least inconvenient approach, a reserve could be utilized to handle such adjustments and, on the basis of experience of the previous few bienniums (1980-1981, 1982-1983 and 1984-1985), a provision of $125 million would not appear unreasonable (see A/42/225; see also A/42/7 and A/43/929). In subsequent reports, the Secretary-General identified two possible ways to establish and fund a reserve: either as a separate fund outside the programme budget or as a section within the programme budget. In either case, the reserve would be funded through assessed contributions (see A/43/929, A/44/665 and General Assembly resolution 44/200 B).

73. Most recently, in the context of the reform initiative on investing in the United Nations for a stronger Organization worldwide, the Secretary-General, in the area of financial management practices reform, proposed that a separate fund be created to cover unanticipated expenditures arising from exchange rate fluctuations and inflation, to be financed through the transfer of budget surpluses (see A/60/692 and Corr.1, proposal 17, and A/60/846/Add.3). By its resolution 60/283, the General Assembly decided to defer consideration of the proposal on the establishment of a reserve fund within the context of the programme budget for the biennium 2008-2009. To date the Assembly has not reverted to the question.

Establishing the budgets in the main currency in which the expenditures are incurred

74. This option is similar to the methodology of split assessments. Some United Nations organizations, such as IMO, WIPO and UNIDO, have established their budgets in the host country currencies in order to overcome some of the problems associated with currency fluctuations. In these cases, the budget is prepared in the local currency and the accounts are also reported in local currency. The Joint Inspection Unit recommended this as a solution only for those organizations that incur 85 per cent or more of their expenditures in the local currency.

75. The major problems with this approach are similar to those in the split assessment system, namely, (a) first, paying States would have to assume all of the exchange rate risk over the period of the budget; (b) Member States would have to amend their payment processes to issue payments in multiple currencies; and (c) Member States would then need to hedge their own contributions to limit their own risk. Furthermore, this approach would likely result in a substantial increase in the administrative burden of making the assessment payments.

76. The question of options for protecting the United Nations against fluctuations in exchange rates and inflation have been extensively explored within the United Nations system. While the experience of other entities of the United Nations system has been assessed, it is the intention of the Secretary-General, in response to the request from the General Assembly, to undertake a review of the Organization's foreign exchange transactions in order to assess the currency exposure and potentially the required risk management of the Organization. The findings of such review will be presented to the General Assembly.

H. Summary

77. On the basis of the elements described in the present report, the revised level of resources requested for appropriation for the biennium 2010-2011 would be $5,148,633,300.

III. Income sections

Income section 1. Income from staff assessment

78. The changes described under the expenditure sections above and income section 3 below would result in an increase in income from staff assessment of $21,250,100.

Income section 2. General income

79. The increase in general income of $9,311,300 largely reflects the increase in interest income offset by a decrease in rental income based on the actual performance in 2010. The adjustment to interest income results from the trading return on the investment pool which is higher than the original estimate. The decrease in rental income is attributable mainly to the move-out of some tenants from the compound following the implementation of the capital master plan at Headquarters.

Income section 3. Services to the public

80. The decrease in net income under services to the public reflects reductions attributable primarily to: (a) the lower level of sale of philatelic items than forecasted, as a consequence of the general economic downturn and resulting downsized purchasing habits of the United Nations Postal Administration's customer base, and to the impact of various closures of the General Assembly for the capital master plan construction that affected the counter sale and personalized stamp sale; (b) the absence of revenue from the catering operation owing to the impact of the capital master plan and consequent revision to the catering contract, under which the fixed amount payable by the contractor had to be waived if the contractor were to continue to provide the cafeteria service; (c) the discontinuation of the news stand operation owing to capital master plan activities; and (d) decreases in the sale of publications owing to disruption generated by capital master plan activities throughout 2010, which caused delays in the receipt of books, as well as a decline in traffic at the Bookshop resulting in less sales. These decreases were offset partly by modest increases in revenues under Services to visitors arising from an increase in the number of visitors and an increase in the number of subscriptions to the United Nations Commodity Trade Statistics Database (UN COMTRADE) for 2010.

81. While the present report includes the revisions to revenue estimates, the level of expenditures include only the changes arising from the technical adjustments to the programme budget. Any further changes to the level of revenues and expenditures during the course of the remaining period of the biennium 2010-2011 will be taken into account and reported in the context of the second performance report in accordance with existing practice.

82. In General Assembly resolution 60/248, the Secretary-General was requested to organize a guided tour operation at the United Nations Office at Nairobi and to report thereon in the context of the budget performance reports. Owing to a number of ongoing construction projects which are nearing completion but not complete, the guided tour operations have not yet commenced. It is anticipated that the guided tour operations will be implemented after the completion of the construction projects.

Summary

83. On the basis of the elements described above, the revised estimated income for the biennium 2010-2011 would be $580,628,200, as summarized below:

(Thousands of United States dollars)

Budget section	*Income estimate*[a]	*Projected change*	*Revised estimate*
Income section 1	521 447.4	21 250.1	542 697.5
Income section 2	31 176.4	9 311.3	40 487.7
Income section 3	1 811.6	(4 368.6)	(2 557.0)
Total	**554 435.4**	**26 192.8**	**580 628.2**

[a] Resolution 64/244 B.

IV. Action requested of the General Assembly

84. **The General Assembly is requested to take note of the present report, including the section on options for protecting the United Nations against fluctuations in exchange rates and inflation. The Assembly is further requested to revise the appropriation for the biennium 2010-2011 as set out in paragraph 77 above and the related income estimates as set out in paragraph 83 above.**

Schedule 1

Rates of exchange relative to the United States dollar and inflation included in the initial appropriation for the biennium 2010-2011 and in the present report, by main duty station

	Rates of exchange			*Rates of inflation applicable to non-post objects of expenditure (percentage)*			
		Performance report		*Initial appropriation*		*Performance report*	
Main duty station (currency)	*Initial appropriation*	*2010*[a]	*2011*[b]	*2010*	*2011*	*2010*	*2011*
Vienna (euro)	0.718	0.753	0.753	0.8	1.3	2.1	1.9
Santiago (Chilean peso)	559.750	509.417	509.417	2.9	3.1	1.6	3.5
Addis Ababa (Ethiopian birr)	12.590	14.074	16.380	12.0	9.0	7.0	11.0
UNMOGIP (rupee)	48.240	45.835	45.835	9.0	5.7	11.7	6.4
Beirut (Lebanese pound)	1 500.667	1 500.417	1 500.417	3.0	2.9	3.7	3.2
Gaza/UNRWA/UNTSO (shekel)	3.907	3.745	3.745	2.5	2.1	2.5	2.4
Nairobi (Kenya shilling)	77.243	78.610	80.950	6.5	5.5	4.6	5.4
Mexico City (Mexican peso)	13.458	12.772	12.860	5.0	4.1	4.1	4.0
The Hague (euro)	0.718	0.753	0.753	0.3	1.0	1.1	1.0
Bangkok (Thai baht)	34.432	32.050	32.050	2.2	1.9	3.5	2.0
Port of Spain (Trinidad and Tobago dollar)	6.300	6.282	6.282	7.8	6.7	10.4	5.9
New York (United States dollar)	1.000	1.000	1.000	1.2	1.3	1.4	1.0
Geneva (Swiss franc)	1.085	1.046	1.046	0.4	0.7	0.7	0.8
United Nations information centres[c]	1.000	1.000	1.000	1.2	1.3	1.4	1.0

Abbreviations: UNMOGIP, United Nations Military Observer Group in India and Pakistan; UNRWA, United Nations Relief and Works Agency for Palestine Refugees in the Near East; UNTSO, United Nations Truce Supervision Organization.

[a] Average of United Nations operational rates of exchange, with actual rates to October 2010 and October rate used for November and December.

[b] Based on actual rates effective 1 October 2010. Average actual rates were used from January to October 2010, with the October rate projected to November and December, except for Addis Ababa, Nairobi and Mexico City, where actual October 2010 rates were used.

[c] Combined effect of inflation and exchange rate changes.

Schedule 2

Post adjustment multipliers for 2010 and 2011 applicable to staff in the Professional and higher categories

	Initial appropriation		*First performance report*		*Monthly multipliers for 2010*[a]											
Cost station	*2010*	*2011*	*2010*	*2011*	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*
Vienna	76.9	76.9	57.1	58.7	65.1	60.7	55.4	55.0	56.6	47.2	48.5	56.9	52.5	62.3	62.3	62.3
Santiago	47.6	47.0	45.5	47.3	45.9	45.9	45.3	45.3	45.3	45.3	44.7	44.7	44.7	44.7	47.3	47.3
Addis Ababa	50.5	54.4	45.1	44.9	45.3	45.3	45.3	45.3	45.3	45.3	44.9	44.9	44.9	44.9	44.9	44.9
UNMOGIP	39.8	45.0	37.9	41.3	34.5	34.5	38.3	38.3	38.3	38.3	38.2	38.2	38.2	38.2	39.9	39.9
Beirut	50.1	52.3	46.5	48.8	45.1	45.1	46.3	46.3	46.3	46.3	46.3	46.3	47.2	47.2	47.5	47.5
Gaza/UNRWA/UNTSO	49.6	51.0	47.4	49.3	46.5	46.5	47.1	47.1	47.1	47.1	46.1	47.4	47.4	47.4	49.3	49.3
Nairobi	43.4	48.3	38.2	44.9	35.4	35.4	37.3	37.3	37.3	37.3	34.6	34.6	34.6	44.9	44.9	44.9
Mexico City	46.6	46.5	43.2	42.2	43.5	43.5	44.6	44.6	44.6	44.6	42.2	42.2	42.2	42.2	42.2	42.2
The Hague	72.5	72.5	50.7	52.0	61.1	56.8	51.6	51.3	49.3	38.7	39.9	47.7	46.1	55.4	55.4	55.4
Bangkok	43.4	43.1	41.4	42.9	40.7	40.7	41.3	41.3	41.3	41.3	41.2	41.2	41.2	41.2	42.9	42.9
Port of Spain	55.5	61.6	49.5	53.4	47.8	47.8	48.5	48.5	48.5	48.5	50.2	50.2	50.2	50.2	51.7	51.7
New York	68.5	68.9	63.5	63.5	63.5	63.5	63.5	63.5	63.5	63.5	63.5	63.5	63.5	63.5	63.5	63.5
Security field offices	41.2	43.1	37.3	38.7	37.3	37.3	37.3	37.3	37.3	37.3	37.3	37.3	37.3	37.3	37.3	37.3
Geneva	93.7	93.7	81.5	81.7	83.1	79.8	74.8	78.1	75.1	64.6	75.9	82.5	82.5	93.7	93.7	93.7
United Nations information centres	44.9	46.8	40.9	42.3	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9

Abbreviations: UNMOGIP, United Nations Military Observer Group in India and Pakistan; UNRWA, United Nations Relief and Works Agency for Palestine Refugees in the Near East; UNTSO, United Nations Truce Supervision Organization.

[a] Average of actual post adjustment multipliers to October and projected multipliers for November and December.

10-65228

Schedule 3
Rates of exchange against the United States dollar for 2010, by duty station

	Initial appropriation	*Performance report*		*Variance (percentage)*		*Monthly operational rates of exchange*[a]											
Duty station	*2010-2011*	*2010*[a]	*2011*[b]	*2010*	*2011*	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*
Vienna	0.718	0.752	0.753	(4.65)	(4.65)	0.693	0.714	0.741	0.743	0.754	0.819	0.811	0.763	0.787	0.735	0.735	0.735
Santiago	559.750	509.417	509.417	9.88	9.88	500.000	500.000	530.000	525.000	519.000	540.000	535.000	515.000	500.000	483.000	483.000	483.000
Addis Ababa	12.590	14.074	16.380	(10.54)	(23.14)	12.630	12.670	13.340	13.380	13.440	13.500	13.520	13.580	13.690	16.380	16.380	16.380
UNMOGIP	48.240	45.835	45.835	5.25	5.25	46.650	46.000	46.120	45.450	44.400	46.650	46.280	46.720	46.750	45.000	45.000	45.000
Beirut	1 500.667	1 500.417	1 500.417	0.02	0.02	1 501.000	1 501.000	1 501.000	1 501.000	1 500.000	1 500.000	1 500.000	1 500.000	1 501.000	1 500.000	1 500.000	1 500.000
Gaza/ UNRWA/ UNTSO	3.907	3.745	3.745	4.33	4.33	3.760	3.710	3.750	3.720	3.730	3.840	3.840	3.810	3.800	3.660	3.660	3.660
Nairobi	77.243	78.610	80.950	(1.74)	(4.58)	74.990	75.310	76.400	76.400	76.610	78.550	80.210	81.000	81.000	80.950	80.950	80.950
Mexico	13.458	12.772	12.860	5.37	4.65	12.800	12.800	12.950	12.570	12.180	13.030	12.830	12.820	12.700	12.860	12.860	12.860
The Hague	0.718	0.753	0.753	(4.65)	(4.65)	0.693	0.714	0.741	0.743	0.754	0.819	0.811	0.763	0.787	0.735	0.735	0.735
Bangkok	34.432	32.050	32.050	7.43	7.43	33.380	33.180	33.120	32.370	32.300	32.540	32.360	32.230	31.320	30.600	30.600	30.600
Port of Spain	6.300	6.282	6.282	0.29	0.29	6.300	6.310	6.310	6.320	6.300	6.300	6.320	6.320	6.300	6.200	6.200	6.200
Geneva	1.085	1.046	1.046	3.73	3.73	1.030	1.051	1.084	1.062	1.082	1.158	1.084	1.041	1.026	0.976	0.976	0.976

Abbreviations: UNMOGIP, United Nations Military Observer Group in India and Pakistan; UNRWA, United Nations Relief and Works Agency for Palestine Refugees in the Near East; UNTSO, United Nations Truce Supervision Organization.

[a] Average of United Nations operational rates of exchange, with actual rates to October 2010 and October rate used for November and December.

[b] Based on actual rates effective 1 October 2010. Average actual rates were used from January to October 2010, with the October rate projected to November and December, except for Addis Ababa, Nairobi and Mexico City, where actual October 2010 rates were used.

Schedule 4
General Service salaries: changes in local currency terms

(Percentage)

Cost station	*Year*	*Rate of increase in initial appropriation (Previous year = 100)*	*Adjusted rates used in performance report*
Vienna	2010	0.80	1.27
	2011	1.30	1.90
Santiago	2010	2.90	3.21
	2011	3.10	3.50
Addis Ababa	2010	12.00	26.56
	2011	9.00	11.00
UNMOGIP	2010	9.00	1.95
	2011	5.70	6.40
Beirut	2010	3.00	6.51
	2011	2.90	3.20
Gaza/UNRWA/UNTSO	2010	2.50	5.92
	2011	2.10	2.40
Nairobi	2010	6.50	6.74
	2011	5.50	5.40
Mexico	2010	5.00	0.75
	2011	4.10	4.00
The Hague	2010	0.30	1.04
	2011	1.00	1.00
Bangkok	2010	2.20	4.24
	2011	1.90	2.00
Port of Spain	2010	7.80	4.03
	2011	6.70	5.90
New York	2010	1.20	—
	2011	1.30	1.00
Security field offices	2010	1.20	—
	2011	1.30	1.00
Geneva	2010	0.40	0.87
	2011	0.70	0.80
United Nations information centres	2010	1.20	—
	2011	1.30	1.00

Abbreviations: UNMOGIP, United Nations Military Observer Group in India and Pakistan; UNRWA, United Nations Relief and Works Agency for Palestine Refugees in the Near East; UNTSO, United Nations Truce Supervision Organization.

Annex I

Projected changes in the budget estimates for the biennium 2010-2011

A. By budget section and main determining factor

(Thousands of United States dollars)

Expenditure section		2010-2011 appropriation[1]	Projected changes: Unforeseen and extraordinary expenses	Decisions of policymaking organs	Exchange rate	Inflation	Adjustment to standards	Vacancy	Total changes	Revised estimates	Percentage variance
1.	Overall policymaking, direction and coordination	101 004.3	65.0	—	(35.1)	(268.7)	(228.5)	—	(467.3)	100 537.0	(0.5)
2.	General Assembly and Economic and Social Council affairs and conference management	676 592.2	—	—	6 140.8	(10 117.3)	(1 834.2)	—	(5 810.7)	670 781.5	(0.9)
3.	Political affairs	1 109 991.0	3 151.6	—	401.3	(467.6)	(488.8)	—	2 596.5	1 112 587.5	0.2
4.	Disarmament	22 299.1	—	—	123.6	(196.9)	(91.0)	—	(164.3)	22 134.8	(0.7)
5.	Peacekeeping operations	107 710.9	2 079.8	—	2 926.1	(273.1)	(2 780.1)	—	1 952.7	109 663.6	1.8
6.	Peaceful uses of outer space	8 437.4	—	—	(361.4)	(210.3)	157.3	—	(414.4)	8 023.0	(4.9)
7.	International Court of Justice	51 010.2	410.0	—	(1 685.8)	(1 522.0)	(1 606.6)	—	(4 404.4)	46 605.8	(8.6)
8.	Legal affairs	45 845.0	—	—	(308.1)	(305.3)	164.9	—	(448.5)	45 396.5	(1.0)
9.	Economic and social affairs	166 217.1	—	—	—	(645.2)	131.1	—	(514.1)	165 703.0	(0.3)
10.	Least developed countries, landlocked developing countries and small island developing States	7 422.5	—	—	—	(16.6)	0.2	—	(16.4)	7 406.1	(0.2)
11.	United Nations support for the New Partnership for Africa's Development	12 786.4	—	—	(219.7)	117.7	(43.4)	—	(145.4)	12 641.0	(1.1)
12.	Trade and development	140 432.1	—	—	5 060.5	(6 233.0)	(2 629.8)	—	(3 802.3)	136 629.8	(2.7)
13.	International Trade Centre UNCTAD/WTO	30 541.4	—	—	1 148.3	103.6	—	—	1 251.9	31 793.3	4.1
14.	Environment	14 406.2	—	—	(330.8)	185.3	(49.4)	—	(194.9)	14 211.3	(1.4)
15.	Human settlements	21 510.4	—	—	(594.5)	428.8	(780.0)	—	(945.7)	20 564.7	(4.4)
16.	International drug control, crime and terrorism prevention and criminal justice	40 995.6	—	—	(1 729.3)	(893.3)	818.1	—	(1 804.5)	39 191.1	(4.4)

Expenditure section	2010-2011 appropriation[1]	Projected changes: Unforeseen and extraordinary expenses	Decisions of policy-making organs	Exchange rate	Inflation	Adjustment to standards	Vacancy	Total changes	Revised estimates	Percentage variance
17. Economic and social development in Africa	132 697.1	—	—	(14 357.5)	8 379.5	(3 056.6)	—	(9 034.6)	123 662.5	(6.8)
18. Economic and social development in Asia and the Pacific	93 919.3	—	—	6 862.3	(2 036.2)	(418.6)	—	4 407.5	98 326.8	4.7
19. Economic development in Europe	67 876.0	—	—	2 476.7	(3 202.4)	(1 603.2)	—	(2 328.9)	65 547.1	(3.4)
20. Economic and social development in Latin America and the Caribbean	111 654.0	—	—	8 168.8	(3 500.5)	(6 192.4)	—	(1 524.1)	110 129.9	(1.4)
21. Economic and social development in Western Asia	66 602.8	—	—	9.5	1 468.6	(4 782.5)	—	(3 304.4)	63 298.4	(5.0)
22. Regular programme of technical cooperation	53 706.9	—	—	(868.8)	(591.9)	—	—	(1 460.7)	52 246.2	(2.7)
23. Human rights	142 743.8	1 204.8	—	4 410.1	(6 240.9)	(3 554.7)	—	(4 180.7)	138 563.1	(2.9)
24. International protection, durable solutions and assistance to refugees	80 544.2	—	—	3 025.6	177.9	(30.2)	—	3 173.3	83 717.5	3.9
25. Palestine refugees	48 744.7	—	—	1 976.5	(1 103.5)	(5 905.3)	—	(5 032.3)	43 712.4	(10.3)
26. Humanitarian assistance	29 904.9	—	—	342.2	(532.3)	(314.9)	—	(505.0)	29 399.9	(1.7)
27. Public information	186 707.4	—	—	176.2	(1 061.5)	(1 155.4)	—	(2 040.7)	184 666.7	(1.1)
28A. Office of the Under-Secretary-General for Management	26 173.8	—	—	—	—	(74.5)	26.8	—	(47.7)	26 126.1	(0.2)
28B. Office of Programme Planning, Budget and Accounts	38 697.4	—	—	—	—	(193.3)	48.4	—	(144.9)	38 552.5	(0.4)
28C. Office of Human Resources Management	74 775.9	—	—	—	—	(221.6)	60.3	—	(161.3)	74 614.6	(0.2)
28D. Office of Central Support Services	174 779.1	—	—	—	—	(550.4)	39.5	—	(510.9)	174 268.2	(0.3)
28E. Administration, Geneva	121 680.1	—	—	4 573.2	(924.9)	1 398.4	—	5 046.7	126 726.8	4.1
28F. Administration, Vienna	39 756.0	—	—	(1 846.7)	182.9	1 034.8	—	(629.0)	39 127.0	(1.6)
28G. Administration, Nairobi	32 457.9	—	—	(886.5)	212.6	(2 647.7)	—	(3 321.6)	29 136.3	(10.2)
29. Office of Information and Communications Technology	72 160.6	—	—	—	—	(140.0)	36.0	—	(104.0)	72 056.6	(0.1)
30. Internal oversight	39 438.8	—	—	(106.5)	(284.6)	(122.7)	—	(513.8)	38 925.0	(1.3)

31	Jointly financed administrative activities	12 109.8	—	—	—	137.7	(220.9)	(33.2)	—	(116.4)	11 993.4	(1.0)

					Projected changes						
Expenditure section	*2010-2011 appropriation*[a]	*Unforeseen and extraordinary expenses*	*Decisions of policymaking organs*	*Exchange rate*	*Inflation*	*Adjustment to standards*	*Vacancy*	*Total changes*	*Revised estimates*	*Percentage variance*
32 Special expenses	113 138.4	—	—	579.0	416.7	—	—	995.7	114 134.1	0.9
33 Construction, alteration, improvement and major maintenance	61 265.5	—	5 000.0	(324.7)	(556.3)	(57.7)	—	4 061.3	65 326.8	6.6
34 Safety and security	239 288.5	—	—	1 151.1	380.7	(2 372.6)	—	(840.8)	238 447.7	(0.4)
35 Development Account	23 651.3	—	—	—	—	—	—	—	23 651.3	—
36 Staff assessment	517 285.2	—	—	3 267.0	6 225.3	11 628.9	—	21 121.2	538 406.4	4.1
Total	**5 158 961.2**	**6 911.2**	**5 000.0**	**29 301.1**	**(24 305.4)**	**(27 234.8)**	**—**	**(10 327.9)**	**5 148 633.3**	**(0.2)**

[a] General Assembly resolution 64/244 A.

B. By duty station and main determining factor

(Thousands of United States dollars)

		Projected changes								
Duty station	*2010-2011 appropriation*	*Unforeseen and extraordinary expenses*	*Decisions of policymaking organs*	*Exchange rate*	*Inflation*	*Adjustment to standards*	*Vacancy*	*Total changes*	*Revised estimates*	*Percentage variance*
New York	2 882 234.5	5 296.4	5 000.0	—	(3 441.6)	4 434.4	—	11 289.2	2 893 523.7	0.4
Geneva	1 062 266.3	1 204.8	—	36 694.2	(24 552.4)	(15.3)	—	13 331.3	1 075 597.6	1.3
Vienna	193 499.6	—	—	(8 096.1)	(1 396.9)	5 325.9	—	(4 167.1)	189 332.5	(2.2)
Santiago	120 439.1	—	—	9 227.2	(2 499.3)	(6 969.9)	—	(242.0)	120 197.1	(0.2)
Addis Ababa	182 938.2	—	—	(18 416.6)	8 341.4	(3 443.6)	—	(13 518.8)	169 419.4	(7.4)
Beirut	99 854.1	—	—	13.4	2 717.9	(5 158.3)	—	(2 427.0)	97 427.1	(2.4)
Nairobi	138 815.8	—	—	(3 532.0)	1 217.4	(9 635.7)	—	(11 950.3)	126 865.5	(8.6)
Bangkok	130 913.4	—	—	8 729.3	(1 287.7)	101.2	—	7 542.8	138 456.2	5.8
Other[a]	348 000.2	410.0	—	4 681.7	(3 404.2)	(11 873.5)	—	(10 186.0)	337 814.2	(2.9)
Total	**5 158 961.2**	**6 911.2**	**5 000.0**	**29 301.1**	**(24 305.4)**	**(27 234.8)**	**—**	**(10 327.9)**	**5 148 633.3**	**(0.2)**

[a] Includes UNMOGIP, UNTSO, Gaza, UNRWA, Mexico City, The Hague, and Port of Spain.

Annex II

Estimated increases or decreases in requirements for the biennium 2010-2011, by budget section and main object of expenditure

(Thousands of United States dollars)

Expenditure section		*Salaries and common staff costs*	*Travel*	*Printing*	*Other contractual services*	*General operating expenses*	*Supplies and materials, furniture and equipment*	*Other*	*Total increase (decrease)*
1.	Overall policymaking, direction and coordination	(543.0)	73.7	—	1.8	(7.6)	0.4	7.4	(467.3)
2.	General Assembly and Economic and Social Council affairs and conference management	(4 612.9)	0.7	0.2	250.0	22.8	119.2	(1 590.7)	(5 810.7)
3.	Political affairs	1 420.5	525.7	(0.6)	(2.3)	493.6	160.1	(0.5)	2 596.5
4.	Disarmament	(189.1)	0.4	—	0.1	0.1	0.5	23.7	(164.3)
5.	Peacekeeping operations	543.3	630.1	—	39.7	568.0	171.6	—	1 952.7
6.	Peaceful uses of outer space	(389.3)	0.1	(0.8)	(0.3)	(2.4)	(0.6)	(21.1)	(414.4)
7.	International Court of Justice	(4 109.3)	0.1	(14.8)	(30.1)	(179.8)	(70.5)	—	(4 404.4)
8.	Legal affairs	(440.3)	2.0	(4.3)	(1.7)	0.1	(4.7)	0.4	(448.5)
9.	Economic and social affairs	(521.8)	3.6	1.3	1.8	0.6	0.0	0.4	(514.1)
10.	Least developed countries, landlocked developing countries and small island developing States	(17.1)	0.3	0.2	0.0	0.1	0.1	—	(16.4)
11.	United Nations support for the New Partnership for Africa's Development	(146.7)	0.4	0.5	0.3	0.1	—	—	(145.4)
12.	Trade and development	(4 124.7)	1.5	7.2	—	109.4	118.7	85.6	(3 802.3)
13.	International Trade Centre UNCTAD/WTO	—	—	—	—	—	—	1 251.9	1 251.9
14.	Environment	(178.4)	0.2	(0.9)	(5.8)	(5.1)	(4.9)	—	(194.9)
15.	Human settlements	(875.5)	0.3	(6.6)	(22.1)	(25.2)	(16.6)	—	(945.7)
16.	International drug control, crime and terrorism prevention and criminal justice	(1 734.5)	2.1	(23.0)	(11.2)	(19.3)	(16.7)	(1.9)	(1 804.5)
17.	Economic and social development in Africa	(6 615.7)	2.1	(22.4)	(150.1)	(1 791.1)	(397.4)	(60.0)	(9 034.6)
18.	Economic and social development in Asia and the Pacific	3 677.9	0.6	18.5	58.0	439.0	213.0	0.5	4 407.5
19.	Economic development in Europe	(2 442.4)	0.9	3.6	22.2	3.3	30.3	53.2	(2 328.9)
20.	Economic and social development in Latin America and the Caribbean	(2 014.8)	1.1	(2.9)	(14.7)	449.6	57.6	—	(1 524.1)
21.	Economic and social development in Western Asia	(3 359.7)	0.2	0.5	9.0	27.8	14.5	3.3	(3 304.4)

Expenditure section		*Salaries and common staff costs*	*Travel*	*Printing*	*Other contractual services*	*General operating expenses*	*Supplies and materials, furniture and equipment*	*Other*	*Total increase (decrease)*
22.	Regular programme of technical cooperation	(1 616.6)	4.5	—	2.2	2.2	(4.7)	151.7	(1 460.7)
23.	Human rights	(4 830.5)	342.4	6.9	58.6	142.9	67.4	31.6	(4 180.7)
24.	International protection, durable solutions and assistance to refugees	(74.1)	—	—	—	—	—	3 247.4	3 173.3
25.	Palestine refugees	(5 032.3)	—	—	—	—	—	—	(5 032.3)
26.	Humanitarian assistance	(545.4)	0.7	0.7	9.8	14.8	3.7	10.7	(505.0)
27.	Public information	(2 091.1)	1.9	(0.1)	24.7	13.1	11.4	(0.6)	(2 040.7)
28A.	Office of the Under-Secretary-General for Management	(48.1)	0.1	—	0.3	0.1	(0.1)	—	(47.7)
28B.	Office of Programme Planning, Budget and Accounts	(146.4)	0.2	—	1.2	0.1	0.0	—	(144.9)
28C.	Office of Human Resources Management	(186.3)	0.6	0.1	22.9	0.7	0.7	—	(161.3)
28D.	Office of Central Support Services	(570.8)	0.0	0.1	6.8	51.1	1.9	—	(510.9)
28E.	Administration, Geneva	3 197.8	(0.1)	—	203.7	1 335.8	165.0	144.5	5 046.7
28F.	Administration, Vienna	(9.4)	—	—	(21.1)	(136.1)	(67.6)	(394.8)	(629.0)
28G.	Administration, Nairobi	(2 916.5)	—	—	(18.3)	(344.1)	(42.7)	—	(3 321.6)
29.	Office of Information and Communications Technology	(129.6)	0.6	—	13.3	10.5	1.2	—	(104.0)
30.	Internal oversight	(505.9)	1.6	—	(3.5)	(2.3)	(2.7)	(1.0)	(513.8)
31.	Jointly financed administrative activities	—	—	—	—	—	—	(116.4)	(116.4)
32.	Special expenses	980.8	—	—	0.1	14.8	—	—	995.7
33.	Construction, alteration, improvement and major maintenance	—	—	—	—	—	—	4 061.3	4 061.3
34.	Safety and security	(1 058.1)	2.0	-	(17.1)	(26.7)	(72.2)	331.3	(840.8)
36.	Staff assessment	21 121.2	—	—	—	—	—	—	21 121.2
	Total	**(21 134.8)**	**1 600.6**	**(36.6)**	**428.2**	**1 160.9**	**435.9**	**7 217.9**	**(10 327.9)**

Annex III

Estimated increases or decreases in requirements for jointly financed activities and inter-organizational security measures (gross budget) for the biennium 2010-2011, by main determining factor

(Thousands of United States dollars)

		Projected changes							
	2010-2011 appropriation	*Unforeseen and extraordinary expenses*	*Exchange rate*	*Inflation*	*Adjustment to standards*	*Vacancy*	*Total changes*	*Revised estimates*	*Percentage variance*
International Civil Service Commission	17 755.9	—	—	(61.4)	19.5	—	(41.9)	17 714.0	(0.2)
Inter-organizational security measures	242 040.5	—	(1 390.4)[a]	(310.0)	3 265.6[b]	—	1 565.2	243 605.7	0.6
United Nations System Chief Executives Board for Coordination	5 430.5	—	103.9	(123.8)	(24.5)	—	(44.4)	5 386.1	(0.8)
Joint Inspection Unit	13 075.3	—	457.9	(699.5)[c]	(139.4)[d]	—	(381.0)	12 694.3	(2.9)
Total	**278 302.2**	**—**	**(828.6)**	**(1 194.7)**	**3 121.2**	**—**	**1 097.9**	**279 400.1**	**0.4**

[a] Largely reflects adjustments to variations in euro between the rates used in the present report and those foreseen at the time of the initial appropriation.
[b] Reflects adjustments to the standards based on the realized common staff costs rate and actual averages experienced thus far in the biennium.
[c] Largely reflects adjustments to the post adjustment multiplier.
[d] Largely reflects adjustments to the standards based on the realized common staff costs rate.

Annex IV

Expenditures incurred under the regular budget for the biennium 2010-2011 as at 30 September 2010

(Thousands of United States dollars)

Appropriation[a]		5 158 961.2
Unliquidated obligations	172 258.5	—
Disbursements	1 740 305.3	—
Total expenditures		**1 912 563.8**
Uncommitted balance		**3 246 397.4**

[a] Includes the initial appropriation (General Assembly resolutions 64/244 A-C) and subsequent appropriations (resolutions 64/260 and 64/288).

Annex V

Responses received to questionnaire on mechanisms to protect and mitigate the effects of fluctuations in exchange rates and inflation used by United Nations system organizations

	Options for protecting against		*If yes, options used for*			
Organization	*Inflation*	*Exchange rates*	*Inflation*	*Exchange rates*	*Percentage of currency exposure*	*Experience and lessons learned*
Food and Agriculture Organization of the United Nations (FAO)	Yes	Yes	The FAO recosting mechanism to protect against inflation is conditional on how well the forecasts capture future costs trends. The "recosting" for inflation is done once for a new biennium, and it is the basis of which the net appropriation is proposed to the Conference for the Organization's programme of work and budget. Once the net appropriation is voted, it remains fixed for the two years, and any unforeseen inflationary increase has to be met from within the appropriations. Any windfall remains available to the Organization for the programme	With regards to exchange rate, the appropriation is paid by members in United States dollars and euros, through the determination of a split assessment. There is no protection from exchange rates fluctuations of currencies other than the United States dollar and the euro	Currency exposure to euro and euro-linked currencies is for about 50 per cent of the net appropriation. FAO does not have a mechanism for protecting the programme of work against currency fluctuations incurred in currencies other than the euro or the United States dollar	See the FAO report entitled "Performance of the split assessment arrangement — 2004-05" (C2005/16)

Organization	Options for protecting against: Inflation	Options for protecting against: Exchange rates	If yes, options used for: Inflation	If yes, options used for: Exchange rates	Percentage of currency exposure	Experience and lessons learned
International Atomic Energy Agency (IAEA)	Yes	Yes	The budget proposals for each year of the biennium incorporate price adjustments for the corresponding year	The IAEA budget is effectively protected against currency fluctuation by the "split appropriation and assessment" system. Taking into consideration that IAEA incurs a large portion of its expenditure in United States dollars, the system ensures that contributions from member States provide the necessary purchasing power to ensure that the approved programme is not affected by currency fluctuations	Around 20 per cent	The split system has worked well, although it is labour-intensive and causes some frustration to managers owing to the monthly revision of their allotments Our experience is that the automation of the split system in enterprise resource planning requires some degree of customization
International Civil Aviation Organization (ICAO)	No	Yes	Not applicable	Split assessment	Approximately 35 per cent for the triennium 2008-2010	Not applicable, since 2010 is the first year ICAO is using the split assessment mechanism
International Telecommunication Union (ITU)	No	No	Not applicable	Not applicable	Budget is denominated in Swiss francs. The United States dollar portion of expenditure represents some 5.8 per cent of the total budget	The cost increase owing to statutory increases and exchange rate fluctuations could be absorbed within the budget

Organization	*Options for protecting against*		*If yes, options used for*		*Percentage of currency exposure*	*Experience and lessons learned*
	Inflation	*Exchange rates*	*Inflation*	*Exchange rates*		
						The ITU Council authorizes the ITU Secretary-General to adjust the budget in order to cover for the cost increase due to inflation and exchange rates differences through the use of the reserve account
United Nations Educational, Scientific and Cultural Organization (UNESCO)	Yes	Yes	**Regular (core) budget** (financed mainly from assessed contributions) (a) A separate provision is included in the budget (i.e., Part IV — Anticipated cost increases) to cover inflationary and statutory increases that are expected to occur during the biennium. In the course of the programme implementation, part IV provisions are distributed to other parts of the budget based on the actual needs, after receiving prior approval from the Executive Board	**Regular (core) budget** Split assessment: • Member States are assessed and pay their contributions partly in United States dollars and partly in euros. The percentage is voted by the General Conference based on the most recent actual expenditure trend and expected changes in the currency pattern. This in effect protects the Organization from exchange fluctuation by transferring the risk to the Member States	The reporting currency is the United States dollar. The overall euro exposure is 57 per cent and it is covered by corresponding contributions assessed in euros for the regular programme and to a large extent by contributions received in euros for extrabudgetary projects. The need to purchase foreign exchange is minimum	For inflation: • Although the level of part IV is initially calculated in accordance with theoretical needs, the final amount approved by the Governing Body is usually much lower. Thus part IV only provides a partial protection from inflationary increases, and the Organization is often required to prioritize the use of these funds

Organization	Options for protecting against: Inflation	Options for protecting against: Exchange rates	If yes, options used for: Inflation	If yes, options used for: Exchange rates	Percentage of currency exposure	Experience and lessons learned
				budgets to cover currency fluctuations. Currency fluctuation requirements which exceed this provision normally would have to be absorbed within the approved budget, or in exceptional cases, additional funding would have to be requested from the donors		for variances arising from using different bases for the financial statements and the budget reports
United Nations Population Fund (UNFPA)	Yes	Yes	With regard to the biennial support budget, an expected increase in costs (including inflation) is embedded in the budget estimates that are submitted to the Executive Board for approval. However, once approved by the Executive Board, the overall budget is managed within the appropriation. Typically there is no recosting or other inflation-absorbing mechanism foreseen as a result of higher-than-expected inflationary increases	UNFPA outsources to United Nations Development Programme (UNDP) Treasury the management of its foreign exchange operations (hedging transactions); UNDP administers the hedging programme in exchange of a fee. UNFPA does not have a reserve for exchange losses and gains: any income resulting from the hedging is treated as regular income and the cost of the hedge is paid from the regular	As mentioned above, the biennial support budget is approved and managed in United States dollars. For the biennium 2010-2011, roughly 65 per cent of the biennial support budget corresponds to field offices, some of which may utilize currencies other than United States dollars	From the budgetary side, given the fact that UNFPA operates all around the world, there is considerable exposure to exchange rate movements. However, the impact is mitigated as the budget is appropriated in United States dollars, which tends to be stronger than local currencies where field offices operate From the income side, however, the exposure of UNFPA to exchange rate movements is

Organization	Options for protecting against		If yes, options used for		Percentage of currency exposure	Experience and lessons learned
	Inflation	Exchange rates	Inflation	Exchange rates		
			However, and on an exceptional basis, there is a provision in the Financial Regulations stating that: "Subsequent to a session of the Executive Board in the second year of a biennium, the Executive Director may utilize a budgetary contingency provision of up to three per cent (3%) of the approved gross appropriation for unforeseen requirements resulting from currency movements, inflation or decisions of the General Assembly. Such usage shall be reported to the Executive Board at its next regular session through the Advisory Committee"	resources In terms of the management of the biennial support budget, the budget is tabled and approved in United States dollars and there are no mechanisms, other than the exceptional one stated above, to recost it as a result of adverse exchange rate fluctuations The hedging programme does not apply to contributions received for other resources. For these contributions, UNFPA manages the risk by including a standard clause in a co-financing agreement that states: "If unforeseen increases in expenses or commitments are expected or realized (whether due to inflationary factors, fluctuation in exchange rates or unforeseen contingencies),		greater, as highlighted by the current volatility in the euro/dollar markets. Since a large portion of donor pledges are made in euros, UNFPA manages this exposure with the purchase of financial instruments administered by UNDP. In addition, UNFPA regularly monitors the income estimates, taking into account the exchange rate fluctuations, and manages the resources made available to its offices during the year in accordance with those income estimates

Organization	Options for protecting against: Inflation	Options for protecting against: Exchange rates	If yes, options used for: Inflation	If yes, options used for: Exchange rates	Percentage of currency exposure	Experience and lessons learned
				UNFPA shall submit to the Donor, on a timely basis, a supplementary estimate showing the further financing required. If the additional financing requested in accordance with the paragraphs above is not forthcoming from the Donor or other sources, UNFPA and the Donor will consult with a view to obtaining additional resources. In the event that the necessary resources are not forthcoming, the activities funded through this Agreement may be reduced, suspended or terminated by UNFPA"		
World Tourism Organization	No	No	Not applicable	Not applicable	In 2009, the negative net balance owing to exchange rate differences represented 0.15 per cent of the total regular budget. However, the negative net balance in the extrabudgetary funds	The main aspect to avoid the risk of exchange rate differences lies in matching both the usual payment currency in which the transactions are registered and the

Organization	Options for protecting against: Inflation	Options for protecting against: Exchange rates	If yes, options used for: Inflation	If yes, options used for: Exchange rates	Percentage of currency exposure	Experience and lessons learned
					amounted to 0.4 per cent of the income received in 2009. The exchange rate differences, whether positive or not, are accounted for as sundry income. The resulting net balance at the end of every financial year is allocated to the sundry income reserve	currency in which the funds are received. In 2002, the World Tourism Organization decided to adopt the euro as the Organization's accounting and budgetary currency thus reducing considerably any risks in exchange rates The World Tourism Organization's budgetary system does not protect the Organization against inflation or exchange rates. The budget is not subject to recosting since it is formulated in current and not constant euros. The lack of protections is quite relevant in expenditure (not being covered against price increase) as well as in income (loss of purchasing power in income receipts when applying zero nominal growth to contributions).

Even so, in a low-inflation scenario as

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Organization	Options for protecting against: Inflation	Options for protecting against: Exchange rates	If yes, options used for: Inflation	If yes, options used for: Exchange rates	Percentage of currency exposure	Experience and lessons learned
						the present one, it does not represent too high a risk. On the other hand, and concerning expenditure protection, the situation could result in deficit owing to zero nominal growth in contributions As far as the rate exchange is concerned, the regular budget and its associated expenditure are established mainly in euros. Any risk from exchange rates would be borne mainly by the extrabudgetary funds established either in United States dollars or in euros. Payments are usually effected in the currency of the voluntary contribution, therefore the risk is low In summary, despite the fact that there is no explicit methodology to deal with inflation and/or exchange rate differences, they represent a minor problem in the current set-up

Organization	Options for protecting against: Inflation	Options for protecting against: Exchange rates	If yes, options used for: Inflation	If yes, options used for: Exchange rates	Percentage of currency exposure	Experience and lessons learned
World Intellectual Property Organization (WIPO)	No	Yes	WIPO incurs most of its expenditure in Swiss francs, with products and services largely procured in the local market with Switzerland having a relatively stable inflation outlook. In general, the budgeting for WIPO takes into account "programme variations" and "cost variations". The budgeting of personnel costs reflects expected cost changes owing to various statutory cost adjustments, such as changes in grades, steps, increases in medical insurance premiums, and so forth. The non-personnel budgets reflect the global amounts required to carry out various activities having taken into account various costs changes expected during the upcoming financial period	The Organization's immediate needs in the major currencies (euros, Japanese yen and United States dollars) are netted against the amounts received and the balance sold immediately. Proceeds are then placed in accounts with a high rate of return (Banque Nationale Suisse accounts yielding approximately same return as 10-year Swiss Government bonds)	Approximately 63 per cent	A prudent investment strategy is important, given the current instability in market trends